

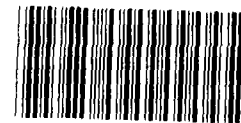
GAO

United States General Accounting Office 132992
Report to Congressional Requesters

April 1987

U.S. POSTAL SERVICE

Postal Inspection Service's Independence and Reporting Requirements



132992

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United States
General Accounting Office
Washington, D.C. 20548

Accounting and Financial
Management Division
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April 16, 1987

The Honorable William D. Ford
Chairman, Post Office and Civil
Service Committee

The Honorable Mickey Leland
Chairman
The Honorable Frank Horton
Ranking Minority Member
Subcommittee on Postal Operations
and Services, Post Office and
Civil Service Committee
House of Representatives

You requested that we review and compare the internal operations of the Postal Inspection Service with the statutory offices of inspector general (OIG) that exist in most cabinet-level departments. Specifically, you asked us to examine the Postal Inspection Service's organizational structure and audit and investigation functions, its independence, and its reporting requirements. As agreed with your office, this report compares Inspection Service and OIG independence and reporting to the Congress and presents several actions that the Congress may wish to consider to strengthen the Inspection Service in those areas. We will provide information regarding the remainder of your request in a separate document.

Background

The Inspection Service is the Postal Service's internal audit, investigation, and crime prevention organization. Its primary missions are (1) to ensure a Postal Service as free as possible from criminal attack on its employees, its assets, and the mail entrusted to it, and (2) to provide audit services to help management provide effective and efficient postal services. To accomplish these missions, the Inspection Service investigates white collar crimes, robberies, physical attacks on employees and patrons, and other illegal acts. It also audits Postal Service programs and activities, performs security functions, such as the installation of surveillance cameras and safes in post offices, and manages the postal police force.

As of September 26, 1986, the Inspection Service employed 4,416 individuals, including 1,920 inspectors, 1,745 postal police, and 751 scientific, technical, and support staff. With an operating budget of

\$224 million in fiscal year 1986, it completed 17,007 investigations and 5,249 audit projects.

Objective, Scope, and Methodology

The objectives of this report are (1) to compare the independence and reporting requirements of the Inspection Service with those established by the Inspector General Act of 1978, as amended, for the OIGs, and (2) to identify possible actions that the Congress may wish to consider to strengthen the Inspection Service's independence and to provide for congressional reporting requirements.

To accomplish these objectives, we interviewed Inspection Service officials and reviewed Inspection Service documents and other records. We also reviewed the Inspector General Act of 1978, testimony on passage of legislation creating OIGs in federal departments and agencies, and reports on OIG compliance with generally accepted government auditing standards.

We performed our review between January and September 1986 in accordance with generally accepted government auditing standards, except that, as requested, we did not obtain official agency comments on a draft of this report.

Comparison of the Independence of the OIGS and the Postal Inspection Service

Before the Congress passed the Inspector General Act of 1978, the heads of many federal audit and investigation organizations in major departments and agencies reported directly to the directors of the organizational units in which they performed audits and investigations. As a result, questions arose about the independence of those conducting the audits and investigations, as well as their ability to report accurately and fully the results of their work. To eliminate this problem, the act requires that the inspector general be under the general supervision of, and report to, the head or deputy head of the department or agency. To further increase independence, the act requires that the President of the United States appoint the inspector general, with the advice and consent of the Senate. The act also states that only the President can remove an inspector general from office and that the President must communicate his reasons for doing so to the Congress.

We strongly supported the passage of the act, in part, because of its provisions to help ensure the independence of federal audit and investigation organizations. Independence from personal, external, and organizational impairments is a cornerstone of strong, effective audits

and investigations. Generally accepted government auditing standards classify independence as one of the four general standards with which all who audit government organizations, programs, activities, and functions must comply. This standard, as contained in the Comptroller General's Standards for Audit of Governmental Organizations, Programs, Activities, and Functions, states that:

"In all matters relating to the audit work, the audit organization and the individual auditors, whether government or public, must be free from personal or external impairments to independence, must be organizationally independent, and shall maintain an independent attitude and appearance."

This standard pertains not only to those situations that actually result in impairments but also to those that could be perceived as resulting in impairments.

The reporting line in the Inspection Service is similar to the reporting line established for OIGs. Both the Chief Postal Inspector at the Inspection Service and inspectors general at OIGs report directly to the top agency official or that individual's deputy.

In regard to his appointment or termination, however, the Chief Postal Inspector is not as independent as the statutory inspectors general. The Postmaster General has the authority to appoint and terminate the Chief Postal Inspector. By order of the Board of Governors, the only Inspection Service official that the Postmaster General cannot directly fire is the Assistant Chief Inspector for Audit. Termination of this individual requires the approval of the Board.

Conducting investigations of an agency's own high-level officials also opens an investigation organization to possible questions of a lack of independence. During the past 4 years, the Inspection Service conducted about 100 investigations of Postal Career Executive Service managers, and several of these investigations resulted in removal from the Postal Service, criminal convictions, or both. For example, an investigation of criminal activity by a Vice Chairman of the Postal Service Board of Governors involved a major conspiracy to manipulate the Postal Service for personal gain. The individual was convicted and is now in federal prison. In addition, this case has led to investigations of the Chairman of the Board of Governors, two other Governors, the Postmaster General, the Deputy Postmaster General, the Associate Postmaster General, and other high-level postal officials. In this case, the investigation resulted in a conviction, but if it had not, even if the facts justified exonerating the

official, questions could have arisen about the independence of the Inspection Service or of the investigator(s). This perception of a lack of independence can be as harmful to the effective operation of an audit or investigation organization as situations where a lack of independence has been established.

Matters for Congressional Consideration

To strengthen the Inspection Service's actual and perceived independence, the Congress may wish to consider taking one of several actions to change the current appointment and termination authority for the position of Chief Postal Inspector. Several legislative or administrative alternatives are available to accomplish this, including

- amending the Inspector General Act of 1978 to create a statutory OIG at the Postal Service;
- amending the Postal Reorganization Act and placing the appointment authority with the President, with the advice and consent of the Senate, and requiring notification of the Congress upon termination;
- amending the Postal Reorganization Act to place the appointment authority with the Board of Governors and to require notification of the Congress upon termination;
- encouraging the Postal Service to take administrative action to place the authority for appointment and termination with the Postmaster General, with the advice and consent of the Board of Governors; or
- encouraging the Postal Service to take administrative action to place the appointment and termination authority with the Board of Governors.

If the Congress desires to give the Chief Postal Inspector the same degree of independence as that possessed by the inspectors general, it should legislate presidential appointment of the head of the Inspection Service, with the advice and consent of the Senate. The Congress should also give only the President the authority to terminate the Chief Postal Inspector. The reasons for such termination should be communicated to the Congress, as is required for the termination of inspectors general.

Comparison of Reporting Requirements of the OIGS and the Inspection Service

Another congressional concern addressed by the Inspector General Act of 1978 was the need, by the Congress and top department officials, for information they were not receiving on the results of the work performed by federal audit and investigation units. The act requires inspectors general to report semiannually to the Congress on the results of their operations for the six-month periods ending March 31 and September 30 of each year. The act requires that these reports include, but

not be limited to, statistical and other information in the following six areas:

- a description of significant problems, abuses, and deficiencies relating to the administration of programs and operations during the reporting period;
- a description of the recommendations for corrective action made by the OIG during the reporting period with respect to significant problems, abuses, or deficiencies identified;
- an identification of each significant recommendation described in previous semiannual reports for which corrective action has not been completed;
- a summary of matters referred to prosecutive authorities and of the prosecutions and convictions that have resulted;
- a summary of each report made to the head of the establishment concerning instances when information or assistance requested was unreasonably refused or not provided; and
- a listing of each audit report completed by the OIG during the reporting period.

The act also requires inspectors general to report immediately to the head of their agency whenever they become aware of particularly serious or flagrant problems, abuses, or deficiencies relating to the administration of the agency's programs and operations. The agency head must transmit these reports to the appropriate congressional committees or subcommittees within seven calendar days of receipt and must include a report containing comments the agency head considers appropriate.

The Inspection Service plays a key role in helping to maintain an effective and efficient Postal Service. It investigates criminal activities committed against the Postal Service or its patrons by postal employees and others, and it audits Postal Service programs and operations. However, it is not currently required to provide information on its investigation and audit activities to the Congress in semiannual or other reports.

In fiscal year 1986, the Inspection Service completed 17,007 investigations and 5,249 audit projects. Much of this work resulted in reports and in improved effectiveness or efficiency at the Postal Service. Some assignments received high exposure in the press either because of their conclusions about major postal operations or activities audited or because of the high level of the individuals investigated within the Postal Service. For example, recent work has included

- audits of Postal Service's activities or operations, including automated mail processing, air contracting, second-class mail, control of overtime, and bulk business mail,
- an investigation of E.F. Hutton, which resulted in a guilty plea to a 2,000-count information, and
- an investigation of insider trading cases in New York involving Ivan Boesky and others. (The Inspection Service is the lead federal investigative agency pursuing criminal violations in this matter.)

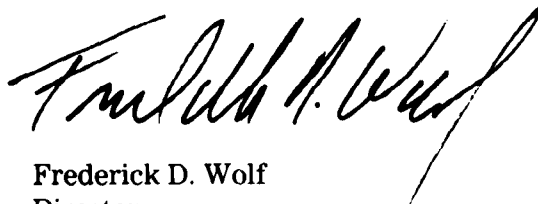
Matters for Congressional Consideration

The Congress, to ensure that it receives information on results of the Inspection Service's audits and investigations and to help evaluate the operations of the Postal Service, may wish to require that the Inspection Service prepare semiannual and other reports similar to those prepared by the OIGs. The Congress could do this in several ways, including

- amending the Inspector General Act of 1978 to create a statutory OIG at the Postal Service and, thereby, require these reports, or
- amending the Postal Reorganization Act to require semiannual and other reports to the Congress.

Another alternative, which would not require congressional action, would be for the Postmaster General or the Board of Governors to require that the Inspection Service prepare the reports currently legislatively required of the OIGs. These reports could be sent to the Postmaster General, the Board, and the Congress.

As requested, we did not obtain agency comments on a draft of this report. Unless you publicly announce the contents of this report earlier, we plan no distribution for 30 days. We will then send copies to the Director of the Office of Management and Budget, the Chief Postal Inspector, the Postmaster General, and the Postal Service's Board of Governors.



Frederick D. Wolf
Director

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